

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
(A COMPONENT UNIT OF THE CITY OF
HOT SPRINGS, SOUTH DAKOTA)**

**FINANCIAL STATEMENTS
(Audited)**

DECEMBER 31, 2012

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

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certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Hot Springs, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit and each major fund of **The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (a component unit of the City of Hot Springs, South Dakota)** (Housing Commission), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Madison Office

112 South Eagan Avenue
PO Box 505
Madison, SD 57042
605-256-9165
Fax: 605-256-2872

Yankton Office

207 Douglas Ave
PO Box 1018
Yankton, SD 57078
605-665-4401
Fax: 605-665-0592

Sioux Falls Office

507 West 10th Street
PO Box 876
Sioux Falls, SD 57101
605-336-0372
Fax: 605-336-6842

Toll Free: 1-800-456-0889

e-mail: wrc@wrccpa.com

Member of: Private Companies Practice Section American Institute of CPA's, South Dakota Society of CPA's

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, the aggregate discretely presented component unit and each major fund of The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota, as of December 31, 2012, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Commission's basic financial statements. The financial data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The financial data schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2013, on our consideration of the Housing Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of any audit performed in accordance with *Government Auditing Standards* in considering the Housing Commission's internal control over financial reporting and compliance.

Wohlschlag Rithman + Co., LLC

Yankton, South Dakota
September 26, 2013

HOT SPRINGS HOUSING AUTHORITY
Hot Springs, South Dakota

Management's Discussion and Analysis
December, 31 2012

Management's Discussion and Analysis (MD&A) is a reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999.

Our discussion and analysis of the Hot Springs Housing Authority (herein referred to as "the Housing Authority"), Hot Springs, South Dakota, financial performance provides an overview of the Housing Authority's financial activities for the fiscal year ended December, 31 2012. Please read the MD&A in conjunction with the Housing Authority's financial statements.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Financial Highlights

Total assets of the Housing Authority for the year ended December, 31 2012 were \$5,365,124. Total liabilities were \$3,280,738. Total assets exceeded total liabilities by \$2,084,386 (net equity) .

Unrestricted Net Position totals \$176,810. This is the amount of the Authority's reserve.

Total operating and non-operating revenue for the year ended December, 31 2012, was \$1,168,745 and expenditures totaled \$1,155,589; revenues exceeded expenditures by \$13,156.

Overview of the Financial Statements

This annual report includes this Management Discussion and Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. The Housing Authority's financial statements are presented as program level financial statements because the Housing Authority only has proprietary funds.

The financial statements of the Housing Authority report information of the Housing Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Housing Authority's activities. The Statement of Net Position includes all the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Housing Authority's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Housing Authority and assessing the liquidity and financial flexibility of the Housing Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Changes in Net Position. This statement measures the success of the Housing Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

HOT SPRINGS HOUSING AUTHORITY
Hot Springs, South Dakota

Management's Discussion and Analysis
December, 31 2012

(Continued)

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The Housing Authority's basic financial statements are the Statement of Net Position and the Statement of Changes in Net Position. The Statement of Net Position provides a summary of the Housing Authority's assets and liabilities as of the close of business on December, 31 2012. The Statement of Changes in Net Position also summarizes the revenues and sources of those revenues, and expenses incurred in operating the Housing Authority for the year ended December, 31 2012.

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income.

Capital Fund Program- The Capital Fund Program is the primary funding source for physical and management improvements to the Authority's properties.

City Housing / Townhouses – The authority completed construction and is operating a residential rental facility for moderate income families and individuals (not funded by HUD).

Statement of Net Position

FOR THE YEAR ENDED December	2012	2011
Current assets and prepaid expense	\$500,149	\$469,068
Inventory held for resale	\$0	
Fixed assets, net	\$4,864,975	\$5,013,985
Total Assets	\$5,365,124	\$5,483,053
Current liabilities	\$262,303	\$265,081
Non-current liabilities	\$3,018,435	\$3,158,151
Total liabilities	\$3,280,738	\$3,423,232
Assets		
Invested in capital assets, net of related debt	\$1,712,483	\$1,732,496
Restricted	\$195,093	\$184,598
Unrestricted	\$176,810	\$142,727
Total Assets	\$2,084,386	\$2,059,821
Total Liabilities and Assets	\$5,365,124	\$5,483,053

HOT SPRINGS HOUSING AUTHORITY
Hot Springs, South Dakota

Management's Discussion and Analysis
December, 31 2012

(Continued)

Comparative Statement of Revenues, Expenses and Changes in Net Position

FOR THE YEAR ENDED December	2012	2011	Change
Program Revenue			
Tenant revenue	\$598,837	\$870,978	(\$272,141)
Other income	\$35,434	\$58,031	(\$22,597)
Federal grants and subsidies	\$528,219	\$679,476	(\$151,257)
Interest income	\$6,255	\$10,367	(\$4,112)
Gain/loss - disposition of assets	\$0	\$0	\$0
Total revenue	\$1,168,745	\$1,618,852	(\$450,107)
Program Expenses			
Administration	\$216,566	\$321,147	(\$104,581)
Tenant Services	\$920	\$595	\$325
Utilities	\$308,761	\$447,392	(\$138,631)
Ordinary maintenance & operations	\$238,239	\$312,426	(\$74,187)
Protective services	\$2,297	\$24,540	(\$22,243)
General expenses	\$74,555	\$107,089	(\$32,534)
Non-routine maintenance	\$95,738	\$160,270	(\$64,532)
Depreciation	\$218,513	\$300,346	(\$81,833)
HAP	\$0	\$0	\$0
Total expenses	\$1,155,589	\$1,673,805	(\$518,216)
Change in Net Position	\$13,156	(\$54,953)	\$68,109
Beginning Net Position	\$2,059,821	\$2,114,774	(\$54,953)
Ending Net Position	\$2,084,386	\$2,059,821	\$24,565

Federal grants consist of: HUD Operating Grants \$483,930
Capital Grants \$ 44,289

Total: 528,219

Capital Assets

Capital Assets at Year-end
(Net of Accumulated Depreciation)

FOR THE YEAR ENDED December	2012	2011	change
Land	\$108,775	\$108,775	\$0
Buildings	\$7,001,596	\$6,991,084	\$10,512
Furniture, Equipment & Machinery - Admin	\$157,688	\$140,319	\$17,369
Furniture, Equipment & Machinery - Dwelling	\$0	\$0	\$0
Construction in Progress	\$58,085	\$16,463	\$41,622
Subtotal	\$7,326,144	\$7,256,641	\$69,503
Accumulated Depreciation	(\$2,461,169)	(\$2,242,656)	(\$218,513)
Total Capital assets	\$4,864,975	\$5,013,985	(\$149,010)

Economic Factors

HOT SPRINGS HOUSING AUTHORITY
Hot Springs, South Dakota

Management's Discussion and Analysis
December, 31 2012

(Continued)

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the federal budget for the current year (and future years).

Contacting the Housing Authority's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Greg Foust, Executive Director, at Hot Springs Housing Authority, 201 S. River St., Hot Springs, South Dakota 57747 -- (605) 745-4067

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
BALANCE SHEET
DECEMBER 31, 2012**

	<u>Primary Government</u>	<u>Component Unit</u>
ASSETS		
Current assets:		
Cash	\$ 214,020	\$ 114,710
Certificates of deposit	44,500	190,272
Receivables:		
Tenants less allowance for doubtful accounts of \$ 1,732	3,254	1
HUD	1,896	-
Interest receivable	98	270
Prepaid expenses	22,138	-
Inventories	16,021	-
Total current assets	<u>301,927</u>	<u>305,253</u>
Noncurrent Assets:		
Capital assets:		
Capital assets not being depreciated	166,860	23,021
Capital assets being depreciated, net	3,480,284	319,768
Idle capital assets, net	<u>1,217,831</u>	<u>-</u>
Total capital assets, net	4,864,975	342,789
Mortgage escrow deposits held in trust	195,093	-
Unamortized loan fees	<u>3,130</u>	<u>-</u>
Total noncurrent assets	<u>5,063,198</u>	<u>342,789</u>
Total assets	<u>\$ 5,365,125</u>	<u>\$ 648,042</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 32,113	\$ 36,578
Due to other governments	27,245	1,377
Accrued interest payable	7,912	-
Prepaid rent	1,180	-
Tenant security deposits	48,664	4,414
Current portion of notes payable	137,378	-
Current portion of accrued compensated absences	<u>7,812</u>	<u>-</u>
Total current liabilities	<u>262,304</u>	<u>42,369</u>
Noncurrent liabilities:		
Notes payable	3,015,714	-
Accrued compensated absences	<u>2,720</u>	<u>-</u>
Total noncurrent liabilities	<u>3,018,434</u>	<u>-</u>
Total liabilities	<u>3,280,738</u>	<u>42,369</u>
Net position		
Net investment in capital assets	1,711,883	342,789
Restricted	195,093	-
Unrestricted	<u>177,411</u>	<u>262,884</u>
Total net position	<u>2,084,387</u>	<u>605,673</u>
Total liabilities and net position	<u>\$ 5,365,125</u>	<u>\$ 648,042</u>

The accompanying notes are
an integral part of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2012**

	Primary Government	Component Unit
OPERATING REVENUES		
Dwelling rental	\$ 581,143	\$ 52,360
Tenant revenue - other	17,694	884
Management fees earned	31,737	-
Total operating revenues	<u>630,574</u>	<u>53,244</u>
OPERATING EXPENSES		
Administration	216,565	30,111
Tenant services	920	-
Utilities	308,762	39,672
Maintenance and operation	238,239	24,068
Protective services	2,297	-
Insurance	39,054	4,626
Other general expenses	35,073	1,377
Amortization cost	427	-
Depreciation	218,514	28,666
Total operating expenses	<u>1,059,851</u>	<u>128,520</u>
Operating (loss)	<u>(429,277)</u>	<u>(75,276)</u>
NONOPERATING REVENUES (EXPENSES)		
HUD PHA grants	483,930	62,290
Investment income	6,255	1,657
Other income	3,698	288
Interest expense	(95,738)	-
Total nonoperating revenues (expenses)	<u>398,145</u>	<u>64,235</u>
(Loss) income before contributions	(31,132)	(11,041)
Capital contributions	<u>44,289</u>	<u>-</u>
Change in net position	<u>13,157</u>	<u>(11,041)</u>
Net position - beginning of year	2,059,821	616,714
Add prior period adjustment	11,409	-
Net position - beginning of year - restated	<u>2,071,230</u>	<u>616,714</u>
Net position - end of year	<u>\$ 2,084,387</u>	<u>\$ 605,673</u>

The accompanying notes are
an integral part of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA,
STATEMENT OF CASH FLOWS - PAGE 1 OF 2
YEAR ENDED DECEMBER 31, 2012**

	Primary Government	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants	\$ 597,919	\$ 53,556
Other receipts	35,435	96
Payments to employees	(265,291)	-
Payments to others for goods and services	(551,358)	(65,870)
Payments in lieu of taxes	(33,205)	(1,133)
Tenant security deposits received	10,718	1,708
Tenant security deposits refunded	(10,159)	(320)
Net cash (used in) operating activities	<u>(215,941)</u>	<u>(11,963)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Operating grants	482,252	61,665
Deposits to mortgage escrow accounts	(64,118)	-
Withdrawals from mortgage escrow accounts	53,623	-
Net cash provided by non-capital financing activities	<u>471,757</u>	<u>61,665</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(58,095)	(110,437)
Capital grants received	44,289	-
Principal payments on long-term debt	(128,397)	-
Interest payments on long-term debt	(96,463)	-
Net cash (used in) capital and related financing activities	<u>(238,666)</u>	<u>(110,437)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(310)	(1,403)
Investment income	6,369	1,699
Net cash provided by investing activities	<u>6,059</u>	<u>296</u>
Net (decrease) increase in cash	23,209	(60,439)
Balances - beginning of year	190,811	175,149
Balances - end of year	<u>\$ 214,020</u>	<u>\$ 114,710</u>

The accompanying notes are an integral part
of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA,
STATEMENT OF CASH FLOWS - PAGE 2 of 2
YEAR ENDED DECEMBER 31, 2012**

	<u>Primary Government</u>	<u>Component Unit</u>
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating (loss)	\$ (429,277)	\$ (75,276)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	218,514	28,666
Amortization	427	-
Other income	3,698	288
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	(1,130)	120
Prepaid expenses	862	-
Inventories	4,337	-
Increase (decrease) in:		
Accounts payable - vendors	(2,096)	32,607
Accrued compensated absences	(6,087)	-
Prepaid rents	212	-
Due to other governments	(5,960)	244
Tenants security deposits	559	1,388
Net cash (used in) operating activities	<u>\$ (215,941)</u>	<u>\$ (11,963)</u>

The accompanying notes are an integral part
of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (Housing Commission) was organized in 1972 pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C. 1401, et seq.). The mayor and city commission appoint the five members of the governing board for five-year staggered terms. The public housing authority (PHA) board elects its own chairperson and recruits and employs its management personnel and other workers. The local governing board of the City of Hot Springs, South Dakota retains the statutory authority to approve or deny or otherwise modify the Housing Commission's plans to construct a low-income housing unit, or to issue debt, which gives the governing board the ability to impose its will on the Housing Commission.

The primary government is the City of Hot Springs, South Dakota.

This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the Housing Commission.

The Fall River Housing & Redevelopment Commission was organized in May 1976 under the authority of South Dakota Codified Law 11-7-7 as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C. 1401, et seq.). Four of the five commissioners serve on both Hot Springs and Fall River housing authorities and Fall River Housing and Redevelopment is managed by Hot Springs Housing and Redevelopment Commission.

No separate audited financial statements for the component unit are issued. Separate unaudited financial statements for The Fall River Housing & Redevelopment Commission can be obtained from their administrative office at 201 S River, Hot Springs, South Dakota 57747.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Nature of Business

The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota administers HUD Project SD019-001 under Annual Contribution Contract C-866, which consists of 100 conventional low rent units. In addition, the Housing Commission operates South Dakota Housing Development Authority (SDHDA) Project SD 99-H001-057 a historical landmark known as the Evans Hotel, which has 85 Section 8 units. The Housing Commission acts as a management agent for the Fall River Housing and Redevelopment Commission which owns 24 units of the Section 8 housing in Edgemont, South Dakota.

There is a joint powers agreement between Pennington County Housing and Redevelopment Commission and the Housing and Redevelopment Commission of the City of Hot Springs, South Dakota. It is agreed to by the parties for Pennington County Housing and Redevelopment Commission to operate, manage and administer the HUD Section 8 Housing Choice Vouchers of Hot Springs in Fall River County, South Dakota. No monies have been exchanged nor are due as of and for the year ended December 31, 2012, relating to this agreement.

Basis of Presentation

All activities of the Housing Commission are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The financial statements are presented using the economic resources measurement focus, applied on the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Cash and Cash Equivalents

For purposes of financial statement reporting, the Housing Commission considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are not considered to be cash equivalents.

Accounts Receivable

All tenants accounts receivable are shown net of an allowance for doubtful accounts. Receivables from vacated tenants comprise the allowance.

Inventories

Inventories consist of supplies and are valued at cost.

Capital Assets

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets, continued

Capital assets are recorded at cost. Donated capital assets are valued at their estimated fair value on the date donated. Interest costs incurred during construction of capital assets are capitalized along with other capital asset costs. Depreciation is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Modernization improvements	15
Improvements other than buildings	15
Equipment	3-10

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the entity. For the Commission, these revenues are charges for dwelling rents. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the entity. Revenues and expenses not meeting these definitions are reported as nonoperating. The primary nonoperating revenue is HUD PHA grants.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

Equity Classifications

Equity is classified as net position and is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Equity Classifications, continued

- b. Restricted net position – Is a net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted net position - Any net position that does not meet the definition of "restricted" or "net investment in capital assets."

Application of Net Position

It is the Commission's policy to first use restricted net position, prior to the use of unrestricted, when an expense is incurred for which both purposes are available.

Other Postemployment Benefits

The Housing Commission does not provide any other postemployment benefits.

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The Housing Commission's deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2012

2. **DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK, continued**

Investments - As stated in SDCL 11-7-31, a commission shall have power to invest any funds held in reserves or debt service funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control. In general, SDCL 4-5-6 permits housing authority funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Commission's deposits may not be returned to it. The Housing Commission does not have a deposit policy for custodial risk. As of December 31, 2012, the Commission's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

Investments – As of December 31, 2012, the Housing Commission had no investments.

Authorized Investments by the Commission - The Housing Commission does not have a formal investment policy that further limits investments beyond those imposed by statutes.

Interest Rate Risk – The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits eligible investments for the Commission, as discussed above. The Housing Commission has no investment policy that would further limit its investment choices. As of December 31, 2012, the Housing Commission had no investments.

Concentration of Credit Risk – The Commission places no limit on the amount that may be invested in any one issuer. As of December 31, 2012, the Housing Commission had no investments.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2012

3. **MORTGAGE ESCROW DEPOSITS HELD IN TRUST AND RESTRICTED NET ASSETS**

The Housing Commission has entered into a Regulatory Agreement with South Dakota Housing Development Authority (SDHDA) in conjunction with the Evans Hotel Project which requires certain funds on deposit in designated reserve accounts for restricted use in paying designated costs and expenses. Those funds are held in trust by SDHDA and are invested by them in cash deposits or reinvestments in obligations of or fully guaranteed as to principal by the United States of America. These deposits totaled \$195,093 at December 31, 2012.

4. **CAPITAL ASSETS**

Capital asset activity for the 18 months ended December 31, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Primary Government:				
Capital assets not being depreciated:				
Land	\$ 108,775	\$ -	\$ -	\$ 108,775
Construction in progress	27,872	38,474	(8,261)	58,085
Total capital assets not being depreciated	<u>136,647</u>	<u>38,474</u>	<u>(8,261)</u>	<u>166,860</u>
Capital assets being depreciated:				
Buildings and improvements	5,773,252	105,222	(94,709)	5,783,765
Furniture and equipment	140,319	17,369	-	157,688
Idle capital assets	1,293,588	-	-	1,293,588
Total capital assets being depreciated	<u>7,207,159</u>	<u>122,591</u>	<u>(94,709)</u>	<u>7,235,041</u>
Less accumulated depreciation for:				
Buildings and improvements	2,163,861	203,955	(4,365)	2,363,451
Furniture and equipment	78,794	18,924	-	97,718
Idle capital assets	75,757	-	-	75,757
Total accumulated depreciation	<u>2,318,412</u>	<u>222,879</u>	<u>(4,365)</u>	<u>2,536,926</u>
Total capital assets being depreciated, net	<u>4,888,747</u>	<u>(100,288)</u>	<u>(90,344)</u>	<u>4,698,115</u>
Capital assets, net	<u>\$ 5,025,394</u>	<u>\$ (61,814)</u>	<u>\$ (98,605)</u>	<u>\$ 4,864,975</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2012

4. CAPITAL ASSETS, continued

Component Unit:	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated:</i>				
Land	\$ 23,021	\$ -	\$ -	\$ 23,021
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>23,021</u>	<u>-</u>	<u>-</u>	<u>23,021</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	683,364	110,437	-	793,801
Equipment	36,045	-	-	36,045
Total capital assets being depreciated	<u>719,409</u>	<u>110,437</u>	<u>-</u>	<u>829,846</u>
Less accumulated depreciation for:				
Buildings and improvements	451,335	27,688	-	479,023
Equipment	30,077	978	-	31,055
Total accumulated depreciation	<u>481,412</u>	<u>28,666</u>	<u>-</u>	<u>510,078</u>
Total capital assets being depreciated, net	<u>237,997</u>	<u>81,771</u>	<u>-</u>	<u>319,768</u>
Capital assets, net	<u>\$ 261,018</u>	<u>\$ 81,771</u>	<u>\$ -</u>	<u>\$ 342,789</u>

5. IDLE CAPITAL ASSETS

During fiscal years ending June 30, 2005, 2006 and 2007, the Housing Commission contracted for the installation of a geothermal heating system. Portions of the system have been brought online, but the system is being fueled by propane. The geothermal heat exchange portion of the system is not operational without significant modification. The Commission is pursuing options to convert the existing system to a closed-loop system, which is anticipated to function properly. The Housing Commission's granting agency has made no commitment to provide the funding for necessary improvements.

The carrying value of the system is reflected in Note 4 as idle capital assets at cost less a capital impairment loss recognized as of the fiscal year ending June 30, 2006. Depreciation is no longer being recognized on the system. The fair value of the idle capital assets has not been determined.

6. DUE TO OTHER GOVERNMENTS

Due to other governments at December 31, 2012, consists of payments in lieu of taxes computed at 10% of gross rents less utilities.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2012

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Notes Payable	\$ 3,281,489	\$ -	\$ (128,397)	\$ 3,153,092	\$ 137,378
Compensated Absences	16,619	7,574	(13,661)	10,532	7,812
Total	<u>\$ 3,298,108</u>	<u>\$ 7,574</u>	<u>\$ (142,058)</u>	<u>\$ 3,163,624</u>	<u>\$ 145,190</u>

Debt payable at December 31, 2012 is comprised of the following:

Mortgage payable - South Dakota
Housing Development Authority,
monthly installments of \$18,738
including interest at 6.78% interest,
due September 2020; secured by
land, building and equipment

\$ 1,353,092

Mortgage payable (2nd mortgage) –
South Dakota Housing Development
Authority, monthly installments of
\$17,747 deferred until January 2021
including interest at 2.50%, due
December 2025; secured by
land, building and equipment

1,000,000

Mortgage payable (3rd mortgage) –
South Dakota Housing Development
Authority, irregular installments
deferred until September 2021
including interest at 0%, due
September 2029; secured by
land, building and equipment

800,000

Total

\$ 3,153,092

In connection with obtaining the financing from South Dakota Housing Development Authority, the Project has entered into a Regulatory Agreement which provides, in part, for the following:

- a. Rents may not exceed those established by South Dakota Housing Development Authority.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2012

7. LONG-TERM LIABILITIES, continued

- b. The Project is required to keep certain funds on deposit in designated "reserve" accounts for restricted use in paying designated costs and expenses. These accounts, whether in the form of a cash deposit or reinvestment in obligations of or fully guaranteed as to principal by the United States of America, shall at all times be under the control of South Dakota Housing Development Authority (SDHDA). The development cost escrow reserve fund was established with loan funds at loan closing. This fund is available in the event of any required design modifications of the project or to cover any delinquent mortgage payments. The residual receipts reserve is funded annually by the project. The annual required deposit varies and generally represents the excess of cash and certain receivables over certain current obligations of the project at year end. The funds are accumulated for the financial benefit of the Project and may be utilized only at the sole discretion of the SDHDA. Other required reserves are for replacements, decorating, taxes and insurance. These reserves require monthly deposits and are designated for the purposes described by their titles.
- c. The Project may not make any capital expenditures not approved by the SDHDA.
- d. The term of the Regulatory Agreement is to maturity or termination of the insured mortgage.

The annual requirements to amortize debt outstanding as of December 31, 2012, excluding compensated absences are as follows:

Year Ending December 31,	Principal	Interest	Total
2013	137,378	87,482	224,860
2014	146,989	77,871	224,860
2015	157,270	67,590	224,860
2016	168,270	56,590	224,860
2017	180,040	44,820	224,860
2018-2022	971,627	95,961	1,067,588
2023-2027	1,094,918	23,988	1,118,906
2028 and thereafter	296,600	-	296,600
Total	<u>\$ 3,153,092</u>	<u>\$ 454,302</u>	<u>\$ 3,607,394</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2012

8. MANAGEMENT AGREEMENT

The Housing Commission entered into a Regulatory Agreement Assumption Agreement with South Dakota Housing Development Authority on November 30, 2007. The agreement provided in part for the payment of a management fee in an amount equal to 6.1% of the gross rents received during the year excluding vacancies.

9. SEGMENT INFORMATION

The Evans Property, a business activity of the Housing and Redevelopment Commission of the City of Hot Springs, South Dakota provides 85 Section 8 housing units financed partially by user charges. Segment information for these separately identifiable activities that have one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt, as well as a requirement to account for the activity's revenues, expenses, gains and losses, assets and liabilities apart from other activities within the same fund or in different funds is as follows:

Year Ended December 31, 2012

	<u>Business Activity</u>
CONDENSED STATEMENT OF NET POSITION	
Assets	
Current and other assets	\$ 269,213
Capital assets	3,097,085
Total Assets	<u>3,366,298</u>
Liabilities	
Interfund payables	-
Other current liabilities	201,331
Noncurrent liabilities	3,015,714
Total Liabilities	<u>3,217,045</u>
Net Position	
Net Investment in capital assets	(56,007)
Restricted	195,093
Unrestricted	10,167
Total Net Position	<u>\$ 149,253</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2011

9. SEGMENT INFORMATION, continued

Year Ended December 31, 2012

CONDENSED STATEMENT OF
REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION

Operating revenues	\$ 285,220
Depreciation expense	(108,136)
Other operating expenses	(335,945)
Operating (loss)	<u>(158,861)</u>
Nonoperating revenues (expenses)	
HUD PHA grants	299,432
Investment and other income	9,424
Interest and amortization expense	(96,165)
Capital contributions	<u>-</u>
Changes in net position	53,830
Beginning net position	95,423
Ending net position	<u><u>\$ 149,253</u></u>

CONDENSED STATEMENT OF
CASH FLOWS

Net cash provided (used) by:	
Operating activities	\$ (39,791)
Noncapital financing activities	287,260
Capital and related financing activities	(238,666)
Investing activities	5,726
Net increase (decrease)	<u>14,529</u>
Beginning cash and cash equivalents	24,856
Ending cash and cash equivalents	<u><u>\$ 39,385</u></u>

10. RETIREMENT PLAN

All employees participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2012**

10. RETIREMENT PLAN, continued

General employees are required by state statute to contribute 6% of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Housing Commission's share of contributions to the SDRS for the year ended December 31, 2012, the 18th months ended December 31, 2011 and the fiscal year ended June 30, 2010 were \$10,666, \$15,151, and \$10,137, respectively, equal to the required contributions each year.

11. RISK MANAGEMENT

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the period ended December 31, 2012 the Commission managed its risks as follows:

Employee Health Insurance

The Housing Commission purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The Housing Commission purchases liability insurance risks related to torts, theft, or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation

The Housing Commission purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

The Housing Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2012

12. COMPONENT UNIT TRANSACTIONS

Fall River Housing & Redevelopment Commission paid management fees totaling \$10,693 and a maintenance and operations contract in the amount of \$7,624 to the Housing and Redevelopment Commission of the City of Hot Springs, South Dakota for the year ended September 30, 2012.

13. PRIOR PERIOD ADJUSTMENT

The prior period adjustment is to report the understating of Capital Funds capital assets as of December 31, 2011.

SUPPLEMENTARY INFORMATION

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

Line Item No.	Description	Total Programs	Elimination	14.850a Total Low Rent and Capital Fund	14.850a Low Rent	14.872 Capital Fund Program	14.885 Formula Capital Fund Stimulus Grant	14.182 N/C S/R Section 8	Component Unit
Balance Sheet									
111	Cash-unrestricted	\$ 510,424		\$ 194,102	\$ 194,102	\$ -		\$ 15,754	\$ 300,568
112	Cash-restricted-modernization and development	\$ 195,093		\$ -	\$ -	\$ -		\$ 195,093	\$ -
113	Cash-other restricted	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
114	Cash-tenant security deposits	\$ 53,078		\$ 25,033	\$ 25,033	\$ -		\$ 23,631	\$ 4,414
115	Cash - Restricted for payment of current liability	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
100	Total Cash	\$ 758,595		\$ 219,135	\$ 219,135	\$ -		\$ 234,478	\$ 304,982
121	Accounts receivable - PHA projects	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
122	Accounts receivable - HUD other projects								
122-010	Accounts receivable - HUD other projects - Operating Subsidy	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
122-020	Accounts receivable - HUD other projects - Capital fund	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
122-030	Accounts receivable - HUD other projects - Other	\$ 1,896		\$ -	\$ -	\$ -		\$ 1,896	\$ -
	Total Accounts receivable - HUD other projects	\$ 1,896		\$ -	\$ -	\$ -		\$ 1,896	\$ -
124	Account receivable - other government	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
125	Accounts receivable - miscellaneous								
125-010	Account receivable - miscellaneous - Not For Profit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
125-020	Account receivable - miscellaneous - Partnership	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
125-030	Account receivable - miscellaneous - Joint Venture	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
125-040	Account receivable - miscellaneous - Tax Credit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
125-050	Account receivable - miscellaneous - Other	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
125-060	Other - Comment								
	Total Account receivable - miscellaneous	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
126	Accounts receivable - tenants	\$ 4,987		\$ 1,006	\$ 1,006	\$ -		\$ 3,975	\$ 6
126.1	Allowance for doubtful accounts - tenants	\$ (1,732)		\$ (396)	\$ (396)	\$ -		\$ (1,331)	\$ (5)
126.2	Allowance for doubtful accounts - other	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
127	Notes, Loans, & Mortgages Receivable - Current	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
128	Fraud recovery	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
128.1	Allowance for doubtful accounts - fraud	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
129	Accrued interest receivable	\$ 368		\$ 98	\$ 98	\$ -		\$ -	\$ 270
120	Total receivables, net of allowance for doubtful accounts	\$ 5,519		\$ 708	\$ 708	\$ -		\$ 4,540	\$ 271
131	Investments - unrestricted	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
132	Investments - restricted	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
135	Investments - Restricted for payment of current liability	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
142	Prepaid expenses and other assets	\$ 22,138		\$ 4,089	\$ 4,089	\$ -		\$ 18,049	\$ -
143	Inventories	\$ 16,021		\$ 7,005	\$ 7,005	\$ -		\$ 9,016	\$ -
143.1	Allowance for obsolete inventories	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
144	Inter program - due from	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
145	Assets held for sale	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
150	Total Current Assets	\$ 802,273		\$ 230,937	\$ 230,937	\$ -		\$ 266,083	\$ 305,253
161	Land	\$ 131,796		\$ 56,875	\$ 56,875	\$ -		\$ 51,900	\$ 23,021
162	Buildings	\$ 7,844,454		\$ 3,736,865	\$ 3,728,604	\$ 8,261		\$ 3,313,788	\$ 793,801
163	Furniture, equipment and machinery - dwellings	\$ 131,155		\$ -	\$ -	\$ -		\$ 95,110	\$ 36,045
164	Furniture, equipment and machinery - administration	\$ 62,578		\$ 62,578	\$ 46,962	\$ 15,616		\$ -	\$ -
165	Leasehold improvements	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
166	Accumulated depreciation	\$ (3,047,004)		\$ (2,146,513)	\$ (2,141,568)	\$ (4,945)		\$ (390,413)	\$ (510,078)
167	Construction in progress	\$ 58,085		\$ 58,085	\$ -	\$ 58,085		\$ -	\$ -
168	Infrastructure	\$ 26,700		\$ -	\$ -	\$ -		\$ 26,700	\$ -
160	Total capital assets, net of accumulated depreciation	\$ 5,207,764		\$ 1,767,890	\$ 1,690,873	\$ 77,017		\$ 3,097,085	\$ 342,789
171	Notes, Loans, & mortgages receivable - Non-current								
171-010	Notes, Loans, & mortgages receivable - Non-current - Not For Profit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
171-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
171-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
171-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
171-050	Notes, Loans, & mortgages receivable - Non-current - Other	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
171-060	Other - Comment								
	Notes, Loans, & mortgages receivable - Non-current	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
172	Notes, Loans, & mortgages receivable - Noncurrent - past due								
172-010	Notes, Loans, & mortgages receivable - Non-current - past due - Not For Profit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
172-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
172-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
172-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
172-050	Notes, Loans, & mortgages receivable - Non-current - Other	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
172-060	Other - Comment								
	Notes, Loans, & mortgages receivable - Non-current - past due	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
173	Grants receivable - Non-current	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
174	Other assets								
174-010	Other assets - Not For Profit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
174-020	Other assets - Partnership	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
174-030	Other assets - Joint Venture	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -

See Independent Auditor's Report

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

Line Item No.	Description	Total Programs	Elimination	14.850a Total Low Rent and Capital Fund	14.850a Low Rent	14.872 Capital Fund Program	14.885 Formula Capital Fund Stimulus Grant	14.182 N/C S/R Section 8	Component Unit
Balance Sheet									
174-040	Other assets - Tax Credit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
174-050	Other assets - Other	\$ 3,130		\$ -	\$ -	\$ -		\$ 3,130	\$ -
174-060	Other - Comment						Unamortized mortgage finance expenses		
	Other assets	\$ 3,130		\$ -	\$ -	\$ -		\$ 3,130	\$ -
176	Investment in joint venture								
176-010	Investment in joint venture - Not For Profit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
176-020	Investment in joint venture - Partnership	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
176-030	Investment in joint venture - Joint Venture	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
176-040	Investment in joint venture - Tax Credit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
176-050	Investment in joint venture - Other	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
176-060	Other - Comment								
	Investment in joint venture	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
180	Total Non-current Assets	\$ 5,210,894		\$ 1,767,890	\$ 1,690,873	\$ 77,017		\$ 3,100,215	\$ 342,789
190	Total Assets	\$ 6,013,167		\$ 1,998,827	\$ 1,921,810	\$ 77,017		\$ 3,366,298	\$ 648,042
311	Bank overdraft	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
312	Accounts payable <= 90 days	\$ 68,691		\$ 10,930	\$ 10,930	\$ -		\$ 21,183	\$ 36,578
313	Accounts payable > 90 days past due	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
321	Accrued wage/payroll taxes payable	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
322	Accrued compensated absences - current portion	\$ 7,812		\$ 7,812	\$ 7,812	\$ -		\$ -	\$ -
324	Accrued contingency liability	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
325	Accrued interest payable	\$ 7,912		\$ -	\$ -	\$ -		\$ 7,912	\$ -
331	Accounts payable - HUD PHA Programs								
331-010	Accounts payable - HUD PHA Programs - Operating Subsidy	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
331-020	Accounts payable - HUD PHA Programs - Capital fund	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
331-030	Accounts payable - HUD PHA Programs - Other	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
	Accounts payable - HUD PHA Programs	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
332	Accounts payable - PHA Projects	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
333	Accounts payable - other government	\$ 28,622		\$ 16,541	\$ 16,541	\$ -		\$ 10,704	\$ 1,377
341	Tenant security deposits	\$ 53,078		\$ 25,033	\$ 25,033	\$ -		\$ 23,631	\$ 4,414
342	Deferred revenue								
342-010	Deferred revenue - Operating Subsidy	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
342-020	Deferred revenue - Capital fund	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
342-030	Deferred revenue - Other	\$ 1,180		\$ 657	\$ 657	\$ -		\$ 523	\$ -
	Deferred revenue	\$ 1,180		\$ 657	\$ 657	\$ -		\$ 523	\$ -
343	Current portin of long-term debt - capital projects/mortgage revenue bonds								
343-010	CFFP	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
343-020	Capital Projects/ Mortgage Revenue	\$ 137,378		\$ -	\$ -	\$ -		\$ 137,378	\$ -
	Current portion of long-term debt - capital projects/mortgage revenue bonds	\$ 137,378		\$ -	\$ -	\$ -		\$ 137,378	\$ -
344	Current portion of long-term debt - operating borrowings	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
345	Other current liabilities	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
346	Accrued liabilities - other	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
347	Inter program - due to	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
348	Loan liability - current								
348-010	Loan liability - current - Not For Profit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
348-020	Loan liability - current - Partnership	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
348-030	Loan liability - current - Joint Venture	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
348-040	Loan liability - current - Tax Credit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
348-050	Loan liability - current - Other	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
348-060	Other - Comment								
	Loan liability - current	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
310	Total Current Liabilities	\$ 304,673		\$ 60,973	\$ 60,973	\$ -		\$ 201,331	\$ 42,369
351	Capital Projects/Mortgage Revenue Bonds								
351-010	Long-term debt - CFFP	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
351-020	Long-term - Capital Projects/ Mortgage Revenue	\$ 3,015,714		\$ -	\$ -	\$ -		\$ 3,015,714	\$ -
	Capital Projects/ Mortgage Revenue Bonds	\$ 3,015,714		\$ -	\$ -	\$ -		\$ 3,015,714	\$ -
352	Long-term debt, net of current - operating borrowings			\$ -	\$ -	\$ -		\$ -	\$ -
353	Non-current liabilities - other	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
354	Accrued compensated absences- Non-current	\$ 2,720		\$ 2,720	\$ 2,720	\$ -		\$ -	\$ -
355	Loan liability - Non-current								
355-010	Loan liability - Non-current - Not For Profit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
355-020	Loan liability - Non-current - Partnership	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
355-030	Loan liability - Non-current - Joint Venture	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
355-040	Loan liability - Non-current - Tax Credit	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
355-050	Loan liability - Non-current - Other	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
355-060	Other - Comment								
	Loan liability - Non-current	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
356	FASB 5 Liabilities	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -
357	Accrued Pension and OPEB Liability	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -

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THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

				14.850a	14.850a	14.872	14.885	14.182	
Line Item No.	Description	Total Programs	Elimination	Total Low Rent and Capital Fund	Low Rent	Capital Fund Program	Formula Capital Fund Stimulus Grant	N/C S/R Section 8	Component Unit
	Balance Sheet								
350	Total Non-current liabilities	\$ 3,018,434		\$ 2,720	\$ 2,720	\$ -		\$ 3,015,714	\$ -
300	Total Liabilities	\$ 3,323,107		\$ 63,693	\$ 63,693	\$ -		\$ 3,217,045	\$ 42,369
508.1	Invested in capital assets, net of related debt	\$ 2,054,672		\$ 1,767,890	\$ 1,690,873	\$ 77,017		\$ (56,007)	\$ 342,789
511.1	Restricted Net Assets	\$ 195,093		\$ -	\$ -	\$ -		\$ 195,093	\$ -
512.1	Unrestricted Net Assets	\$ 440,295		\$ 167,244	\$ 167,244	\$ -		\$ 10,167	\$ 262,884
513	Total Equity/Net Assets	\$ 2,690,060		\$ 1,935,134	\$ 1,858,117	\$ 77,017		\$ 149,253	\$ 605,673
600	Total Liabilities and Equity/Net assets	\$ 6,013,167		\$ 1,998,827	\$ 1,921,810	\$ 77,017		\$ 3,366,298	\$ 648,042

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**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

Line Item No.	Description	Total Programs	Elimination	14.850a	14.872	14.182	Component Unit
				Low Rent	Capital Funds	N/C S/R Section 8	
Income Statement							
70300	Net tenant rental revenue	\$ 633,503		\$ 307,302	\$ -	\$ 273,841	\$ 52,360
70400	Tenant revenue - other	\$ 18,578		\$ 6,315	\$ -	\$ 11,379	\$ 884
70500	Total Tenant Revenue	\$ 652,081		\$ 313,617	\$ -	\$ 285,220	\$ 53,244
70600	HUD PHA operating grants						
70600-010	Housing assistance payments	\$ 361,722		\$ -	\$ -	\$ 299,432	\$ 62,290
70600-020	Ongoing administrative fees earned	\$ -		\$ -	\$ -	\$ -	\$ -
70600-030	Hard to house fee revenue	\$ -		\$ -	\$ -	\$ -	\$ -
70600-031	FSS Coordinator	\$ -		\$ -	\$ -	\$ -	\$ -
70600-040	Actual independent public accountant audit costs	\$ -		\$ -	\$ -	\$ -	\$ -
70600-050	Total preliminary fees earned	\$ -		\$ -	\$ -	\$ -	\$ -
70600-060	All other fees	\$ 184,498		\$ 143,541	\$ 40,957	\$ -	\$ -
70600-070	Admin fee calculation description	\$ -		\$ -	\$ -	\$ -	\$ -
	HUD PHA operating grants	\$ 546,220		\$ 143,541	\$ 40,957	\$ 299,432	\$ 62,290
70610	Capital grants	\$ 44,289		\$ -	\$ 44,289	\$ -	\$ -
70710	Management Fee	\$ -		\$ -	\$ -	\$ -	\$ -
70720	Asset Management Fee	\$ -		\$ -	\$ -	\$ -	\$ -
70730	Book-Keeping Fee	\$ -		\$ -	\$ -	\$ -	\$ -
70740	Front Line Service Fee	\$ -		\$ -	\$ -	\$ -	\$ -
70750	Other Fees	\$ -		\$ -	\$ -	\$ -	\$ -
70700	Total Fee Revenue	\$ -		\$ -	\$ -	\$ -	\$ -
70800	Other government grants	\$ -		\$ -	\$ -	\$ -	\$ -
71100	Investment income - unrestricted	\$ 7,912		\$ 529	\$ -	\$ 5,726	\$ 1,657
71100-010	Housing Assistance Payment	\$ -		\$ -	\$ -	\$ -	\$ -
71100-020	Administrative Fee	\$ -		\$ -	\$ -	\$ -	\$ -
	Investment income - unrestricted	\$ 7,912		\$ 529	\$ -	\$ 5,726	\$ 1,657
71200	Mortgage interest income	\$ -		\$ -	\$ -	\$ -	\$ -
71300	Proceeds from disposition of assets held for sale	\$ -		\$ -	\$ -	\$ -	\$ -
71310	Cost of sale of assets	\$ -		\$ -	\$ -	\$ -	\$ -
71400	Fraud recovery	\$ -		\$ -	\$ -	\$ -	\$ -
71400-010	Housing Assistance Payment	\$ -		\$ -	\$ -	\$ -	\$ -
71400-020	Administrative Fee	\$ -		\$ -	\$ -	\$ -	\$ -
	Fraud recovery	\$ -		\$ -	\$ -	\$ -	\$ -
71500	Other revenue	\$ 12,307	\$ (95,705)	\$ 104,026	\$ -	\$ 3,698	\$ 288
71600	Gain or loss on sale of capital assets	\$ -		\$ -	\$ -	\$ -	\$ -
72000	Investment income - restricted	\$ -		\$ -	\$ -	\$ -	\$ -
72000-010	Housing Assistance Payment	\$ -		\$ -	\$ -	\$ -	\$ -
72000-020	Administrative Fee	\$ -		\$ -	\$ -	\$ -	\$ -
	Investment income - restricted	\$ -		\$ -	\$ -	\$ -	\$ -
70000	Total Revenue	\$ 1,262,809	\$ (95,705)	\$ 561,713	\$ 85,246	\$ 594,076	\$ 117,479
91100	Administrative salaries	\$ 82,604		\$ 82,604	\$ -	\$ -	\$ -
91200	Auditing fees	\$ 25,202		\$ 17,102	\$ -	\$ 6,200	\$ 1,900
91300	Management Fee	\$ -	\$ (95,705)	\$ -	\$ -	\$ 72,289	\$ 23,416
91310	Book-Keeping Fee	\$ -		\$ -	\$ -	\$ -	\$ -
91400	Advertising and Marketing	\$ 9,678		\$ 6,300	\$ -	\$ 1,378	\$ 2,000
91500	Employee benefit contributions - administrative	\$ 53,724		\$ 53,724	\$ -	\$ -	\$ -
91600	Office Expenses	\$ 40,981		\$ 32,859	\$ -	\$ 6,774	\$ 1,348
91700	Legal Expense	\$ -		\$ -	\$ -	\$ -	\$ -
91800	Travel	\$ 328		\$ 328	\$ -	\$ -	\$ -
91810	Allocated Overhead	\$ -		\$ -	\$ -	\$ -	\$ -
91900	Other	\$ 10,743		\$ 7,845	\$ -	\$ 1,451	\$ 1,447
91000	Total Operating-Administrative	\$ 223,260	\$ (95,705)	\$ 200,762	\$ -	\$ 88,092	\$ 30,111
92000	Asset Management Fee	\$ -		\$ -	\$ -	\$ -	\$ -
92100	Tenant services - salaries	\$ -		\$ -	\$ -	\$ -	\$ -
92200	Relocation Costs	\$ -		\$ -	\$ -	\$ -	\$ -
92300	Employee benefit contributions - tenant services	\$ -		\$ -	\$ -	\$ -	\$ -
92400	Tenant services - other	\$ 920		\$ 920	\$ -	\$ -	\$ -
92500	Total Tenant Services	\$ 920		\$ 920	\$ -	\$ -	\$ -
93100	Water	\$ 29,349		\$ 12,429	\$ -	\$ 9,402	\$ 7,518
93200	Electricity	\$ 124,943		\$ 53,214	\$ -	\$ 46,462	\$ 25,267
93300	Gas	\$ 132,260		\$ 46,679	\$ -	\$ 85,581	\$ -
93400	Fuel	\$ -		\$ -	\$ -	\$ -	\$ -
93500	Labor	\$ -		\$ -	\$ -	\$ -	\$ -
93600	Sewer	\$ 60,823		\$ 29,567	\$ -	\$ 25,428	\$ 5,828
93700	Employee benefit contributions - utilities	\$ -		\$ -	\$ -	\$ -	\$ -
93800	Other utilities expense	\$ 1,059		\$ -	\$ -	\$ -	\$ 1,059
93000	Total Utilities	\$ 348,434		\$ 141,889	\$ -	\$ 166,873	\$ 39,672

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**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
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				14.850a	14.872	14.182		
Line Item No.	Description	Total Programs	Elimination	Low Rent	Capital Funds	N/C S/R Section 8	Component Unit	
Income Statement								
94100	Ordinary maintenance and operations - labor	\$ 81,222		\$ 81,222	\$ -	\$ -	\$ -	
94200	Ordinary maintenance and operations - materials and other	\$ 34,079		\$ 14,986	\$ -	\$ 10,335	\$ 8,758	
94300	Ordinary Maintenance and Operations Contracts							
94300-010	Ordinary Maintenance and Operations Contracts - Garbage and Trash Removal Contracts	\$ 19,373		\$ 7,459	\$ -	\$ 6,538	\$ 5,376	
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling Contracts	\$ 20,101		\$ 11,425	\$ -	\$ 8,676	\$ -	
94300-030	Ordinary Maintenance and Operations Contracts - Snow Removal Contracts	\$ 158		\$ -	\$ -	\$ -	\$ 158	
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance Contracts	\$ 9,736		\$ 9,736	\$ -	\$ -	\$ -	
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds Contracts	\$ 9,507		\$ 4,770	\$ -	\$ -	\$ 4,737	
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround Contracts	\$ 375		\$ 375	\$ -	\$ -	\$ -	
94300-070	Ordinary Maintenance and Operations Contracts - Electrical Contracts	\$ -		\$ -	\$ -	\$ -	\$ -	
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing Contracts	\$ -		\$ -	\$ -	\$ -	\$ -	
94300-090	Ordinary Maintenance and Operations Contracts - Extermination Contracts	\$ 7,903		\$ 7,903	\$ -	\$ -	\$ -	
94300-100	Ordinary Maintenance and Operations Contracts - Janitorial Contracts	\$ -		\$ -	\$ -	\$ -	\$ -	
94300-110	Ordinary Maintenance and Operations Contracts - Routine Maintenance Contracts	\$ 3,741		\$ 175	\$ -	\$ 3,566	\$ -	
94300-120	Ordinary Maintenance and Operations Contracts - Misc Contracts	\$ 41,122		\$ 14,487	\$ -	\$ 21,596	\$ 5,039	
	Ordinary Maintenance and Operations Contracts	\$ 112,016		\$ 56,330	\$ -	\$ 40,376	\$ 15,310	
94500	Employee benefit contribution - ordinary maintenance	\$ 34,990		\$ 34,990	\$ -	\$ -	\$ -	
94000	Total Maintenance	\$ 262,307		\$ 187,528	\$ -	\$ 50,711	\$ 24,068	
95100	Protective services - labor	\$ -		\$ -	\$ -	\$ -	\$ -	
95200	Protective services - other contract costs	\$ 2,297		\$ 2,297	\$ -	\$ -	\$ -	
95300	Protective services - other	\$ -		\$ -	\$ -	\$ -	\$ -	
95500	Employee benefit contributions - protective services	\$ -		\$ -	\$ -	\$ -	\$ -	
95000	Total Protective Services	\$ 2,297		\$ 2,297	\$ -	\$ -	\$ -	
96110	Property Insurance	\$ 37,211		\$ 13,810	\$ -	\$ 18,775	\$ 4,626	
96120	Liability Insurance	\$ 464		\$ 464	\$ -	\$ -	\$ -	
96130	Workmen's Compensation	\$ 5,095		\$ 5,095	\$ -	\$ -	\$ -	
96140	All Other Insurance	\$ 910		\$ 910	\$ -	\$ -	\$ -	
96100	Total Insurance Premiums	\$ 43,680		\$ 20,279	\$ -	\$ 18,775	\$ 4,626	
96200	Other general expenses	\$ 306		\$ 306	\$ -	\$ -	\$ -	
96210	Compensated absences	\$ 6,665		\$ 6,665	\$ -	\$ -	\$ -	
96300	Payments in lieu of taxes	\$ 28,622		\$ 16,541	\$ -	\$ 10,704	\$ 1,377	
96400	Bad debt - tenant rents	\$ 857		\$ 67	\$ -	\$ 790	\$ -	
96500	Bad debt - mortgages	\$ -		\$ -	\$ -	\$ -	\$ -	
96600	Bad debt - other	\$ -		\$ -	\$ -	\$ -	\$ -	
96800	Severance expense	\$ -		\$ -	\$ -	\$ -	\$ -	
96000	Total Other General Expenses	\$ 36,450		\$ 23,579	\$ -	\$ 11,494	\$ 1,377	
96710	Interest of Mortgage (or Bonds) Payable	\$ 95,738		\$ -	\$ -	\$ 95,738	\$ -	
96720	Interest on Notes Payable (Short and Long Term)			\$ -	\$ -	\$ -	\$ -	
96730	Amortization of Bond Issue Costs	\$ 427		\$ -	\$ -	\$ 427	\$ -	
96700	Total Interest Expense and Amortization Cost	\$ 96,165		\$ -	\$ -	\$ 96,165	\$ -	
96900	Total Operating Expenses	\$ 1,013,513	\$ (95,705)	\$ 577,254	\$ -	\$ 432,110	\$ 99,854	
97000	Excess Revenue Over Operating Expenses	\$ 249,296		\$ (15,541)	\$ 85,246	\$ 161,966	\$ 17,625	
97100	Extraordinary maintenance	\$ -		\$ -	\$ -	\$ -	\$ -	
97200	Casualty losses- Non-capitalized	\$ -		\$ -	\$ -	\$ -	\$ -	
97300	Housing assistance payments							
97300-010	Mainstream 1 & 5 year	\$ -		\$ -	\$ -	\$ -	\$ -	
97300-020	Home-Ownership	\$ -		\$ -	\$ -	\$ -	\$ -	
97300-025	Litigation	\$ -		\$ -	\$ -	\$ -	\$ -	
97300-030	Hope IV	\$ -		\$ -	\$ -	\$ -	\$ -	
97300-035	Moving to Work	\$ -		\$ -	\$ -	\$ -	\$ -	
97300-040	Tenant Protection	\$ -		\$ -	\$ -	\$ -	\$ -	
97300-050	All Other	\$ -		\$ -	\$ -	\$ -	\$ -	
	Housing assistance payments	\$ -		\$ -	\$ -	\$ -	\$ -	
97350	HAP Portability-in	\$ -		\$ -	\$ -	\$ -	\$ -	
97400	Depreciation expense	\$ 247,180		\$ 107,561	\$ 2,817	\$ 108,136	\$ 28,666	
97500	Fraud losses	\$ -		\$ -	\$ -	\$ -	\$ -	
97800	Dwelling units rent expense	\$ -		\$ -	\$ -	\$ -	\$ -	
90000	Total Expenses	\$ 1,260,693	\$ (95,705)	\$ 684,815	\$ 2,817	\$ 540,246	\$ 128,520	

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**THE HOUSING AND REDEVELOPMENT COMMISSION
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				14.850a	14.872	14.182	
Line Item No.	Description	Total Programs	Elimination	Low Rent	Capital Funds	N/C S/R Section 8	Component Unit
Income Statement							
10010	Operating transfer in	\$ 40,957		\$ 40,957	\$ -	\$ -	-
10020	Operating transfer out	\$ (40,957)		\$ -	\$ (40,957)	\$ -	-
10030	Operating transfers from / to primary government						
10030-010	Not For Profit	\$ -		\$ -	\$ -	\$ -	-
10030-020	Partnership	\$ -		\$ -	\$ -	\$ -	-
10030-030	Joint Venture	\$ -		\$ -	\$ -	\$ -	-
10030-040	Tax Credit	\$ -		\$ -	\$ -	\$ -	-
10030-050	Other	\$ -		\$ -	\$ -	\$ -	-
10030-060	Other Comment	\$ -		\$ -	\$ -	\$ -	-
10030	Operating transfers from / to primary government	\$ -		\$ -	\$ -	\$ -	-
10040	Operating transfers from / to component unit	\$ -		\$ -	\$ -	\$ -	-
10070	Extraordinary items, net gain/loss	\$ -		\$ -	\$ -	\$ -	-
10080	Special items, net gain/loss	\$ -		\$ -	\$ -	\$ -	-
10091	Inter Project Excess Cash Transfer In	\$ -		\$ -	\$ -	\$ -	-
10092	Inter Project Excess Cash Transfer Out	\$ -		\$ -	\$ -	\$ -	-
10093	Transfers between Programs and Projects - in	\$ -		\$ -	\$ -	\$ -	-
10094	Transfers between Programs and Projects - out	\$ -		\$ -	\$ -	\$ -	-
10100	Total other financing sources (uses)	\$ -		\$ 40,957	\$ (40,957)	\$ -	-
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	\$ 2,116		\$ (82,145)	\$ 41,472	\$ 53,830	\$ (11,041)
11020	Required Annual Debt Principal Payments	\$ 128,398		\$ -	\$ -	\$ 128,398	\$ -
11030	Beginning equity	\$ 2,676,536		\$ 1,849,919	\$ 114,480	\$ 95,423	\$ 616,714
11040	Prior period adjustments, equity transfers, and correction of errors						
11040-010	Prior period adjustments and correction of errors - Editable	\$ 11,408		\$ -	\$ 11,408	\$ -	\$ -
11040-020	Prior period adjustments and correction of errors - Editable	\$ -		\$ -	\$ -	\$ -	\$ -
11040-030	Prior period adjustments and correction of errors - Editable	\$ -		\$ -	\$ -	\$ -	\$ -
11040-040	Prior period adjustments and correction of errors - Editable	\$ -		\$ -	\$ -	\$ -	\$ -
11040-050	Prior period adjustments and correction of errors - Editable	\$ -		\$ -	\$ -	\$ -	\$ -
11040-060	Prior period adjustments and correction of errors - Editable	\$ -		\$ -	\$ -	\$ -	\$ -
11040-070	Equity Transfers	\$ -		\$ 90,343	\$ (90,343)	\$ -	\$ -
11040-080	Equity Transfers	\$ -		\$ -	\$ -	\$ -	\$ -
11040-090	Equity Transfers	\$ -		\$ -	\$ -	\$ -	\$ -
11040-100	Equity Transfers	\$ -		\$ -	\$ -	\$ -	\$ -
11040-110	Equity Transfers	\$ -		\$ -	\$ -	\$ -	\$ -
	Prior period adjustments, equity transfers, and correction of errors	\$ 11,408		\$ 90,343	\$ (78,935)	\$ -	\$ -
11170	Administrative Fee Equity						
11170-001	Administrative Fee Equity- Beginning Balance	\$ -		\$ -	\$ -	\$ -	\$ -
11170-010	Administrative Fee Revenue						
11170-020	Hard to House Fee Revenue	\$ -		\$ -	\$ -	\$ -	\$ -
11170-021	FSS Coordinator Grant	\$ -		\$ -	\$ -	\$ -	\$ -
11170-030	Audit Costs	\$ -		\$ -	\$ -	\$ -	\$ -
11170-040	Investment Income	\$ -		\$ -	\$ -	\$ -	\$ -
11170-045	Fraud Recovery Revenue	\$ -		\$ -	\$ -	\$ -	\$ -
11170-050	Other Revenue	\$ -		\$ -	\$ -	\$ -	\$ -
11170-051	Comment for Other Revenue						
11170-060	Total Admin Fee Revenues	\$ -		\$ -	\$ -	\$ -	\$ -
11170-080	Total Operating Expenses	\$ -		\$ -	\$ -	\$ -	\$ -
11170-090	Depreciation	\$ -		\$ -	\$ -	\$ -	\$ -
11170-095	Housing Assistance Portability In	\$ -		\$ -	\$ -	\$ -	\$ -
11170-100	Other Expenses	\$ -		\$ -	\$ -	\$ -	\$ -
11170-101	Comment for Other Expense						
11170-110	Total Expenses	\$ -		\$ -	\$ -	\$ -	\$ -
11170-002	Net Administrative Fee	\$ -		\$ -	\$ -	\$ -	\$ -
11170-003	Administrative Fee Equity- Ending Balance	\$ -		\$ -	\$ -	\$ -	\$ -
	Administrative Fee Equity	\$ -		\$ -	\$ -	\$ -	\$ -
11180	Housing Assistance Payments Equity						
11180-001	Housing Assistance Payments Equity - Beginning Balance	\$ -		\$ -	\$ -	\$ -	\$ -
11180-010	Housing Assistance Payment Revenues	\$ -		\$ -	\$ -	\$ -	\$ -
11180-015	Fraud Recovery Revenue	\$ -		\$ -	\$ -	\$ -	\$ -
11180-020	Other Revenue	\$ -		\$ -	\$ -	\$ -	\$ -
11180-021	Comment for Other Revenue						
11180-025	Investment Income	\$ -		\$ -	\$ -	\$ -	\$ -
11180-030	Total HAP Revenues	\$ -		\$ -	\$ -	\$ -	\$ -
11180-080	Housing Assistance Payments	\$ -		\$ -	\$ -	\$ -	\$ -
11180-090	Other Expenses	\$ -		\$ -	\$ -	\$ -	\$ -
11180-091	Comments for Other Expenses						
11180-100	Total Housing Assistance Payments Expenses	\$ -		\$ -	\$ -	\$ -	\$ -

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**THE HOUSING AND REDEVELOPMENT COMMISSION
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FINANCIAL DATA SCHEDULE
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				14.850a	14.872	14.182		
Line Item No.	Description	Total Programs	Elimination	Low Rent	Capital Funds	N/C S/R Section 8	Component Unit	
	Income Statement							
11180-002	Net Housing Assistance Payments	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
11180-003	Housing Assistance Payments Equity-Ending Balance	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
	Housing Assistance Payments Equity	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
11190	Unit Months Available			1,188	0	1,020	288	
11190-210	Total ACC HCV Units			0	0	0	0	
11190-220	Unfunded Units			0	0	0	0	
11190-230	Other Adjustments			0	0	0	0	
11190	Unit Months Available			1,188	0	1,020	288	
11210	Unit Months Leased			999		911	213	
11270	Excess Cash	\$ 170,017		\$ 110,765	\$ -	\$ (195,311)	\$ 254,563	
11610	Land Purchases	\$ -		\$ -	\$ -	\$ -	\$ -	
11620	Building Purchases	\$ 151,163		\$ -	\$ 38,474	\$ 2,252	\$ 110,437	
11630	Furniture & Equipment-Dwelling Purchases	\$ 11,553		\$ -	\$ -	\$ 11,553	\$ -	
11640	Furniture & Equipment-Administrative Purchases	\$ 5,816		\$ -	\$ 5,816	\$ -	\$ -	
11650	Leasehold Improvements Purchases	\$ -		\$ -	\$ -	\$ -	\$ -	
11660	Infrastructure Purchases	\$ -		\$ -	\$ -	\$ -	\$ -	
13510	CFFP Debt Service Payments	\$ -		\$ -	\$ -	\$ -	\$ -	
13901	Replacement Housing Factor Funds	\$ -		\$ -	\$ -	\$ -	\$ -	

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

Financial Statements		
Element	Description	Value
G3000-005	Financial Statements Using Basis Other Than GAAP	NO
G3000-010	Fund Opinion(s)	-
-	Qualified Opinion	NO
-	Unqualified Opinion	YES
-	Adverse Opinion	NO
-	Disclaimer Opinion	NO
G3000-020	"Going Concern" Indicator	NO
G3000-030	Significant Deficiency Indicator	YES
G3000-230	Does the Deficiency relate to the Low Rent or Capital Fund?	YES
G3000-240	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	2
G3000-040	Material Weakness Indicator	NO
G3000-250	Does the material weakness relate to the Low Rent or Capital Fund Program?	NO
G3000-260	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-050	Material Noncompliance Indicator	NO
G3000-270	Does the non-compliance relate to the Low Rent or Capital Fund Program?	NO
G3000-280	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-060	Fraud	NO
G3000-290	Does the activity relate to the Low Rent or Capital Fund Program?	NO
G3000-300	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-070	Illegal Acts	NO
G3000-310	Does the activity relate to the Low Rent or Capital Fund Program?	NO
G3000-320	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-
G3000-080	Abuse	NO
G3000-330	Does the activity relate to the Low Rent or Capital Fund Program?	NO
G3000-340	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	-

If you have multiple opinion units and opinions, please reflect the opinions here. Details of these opinions will be given on the following tab.

See Independent Auditor's Report

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

Financial Statement Fund Opinion Details		
Element	Description	Details
G3000-200	Fund Type of the fund containing the listed program	MAJOR
G3000-210	Fund Opinion of the fund containing the listed program	UNQUALIFIED
G3000-220	Is the departure or qualification related to the Capital Fund or Low Rent Programs?	N/A

IF YOU DO NOT RECEIVE AN A-133 AUDIT, DO NOT COMPLETE THIS TAB.

Federal Programs		
Element	Description	Value
G4000-020	Dollar Threshold Used to Distinguish Type A and Type B Programs	\$ 300,000
G4000-030	Low-Risk Auditee Indicator	NO
G4000-040	Indicator-Any Audit Findings Disclosed that are Required to be Reported	NO
G4000-080	Was a Schedule of Prior Audit Findings prepared?	YES
G4100-040	Total Federal Awards Expended (This cell is populated by G4100-030 from the "Federal Award Details" Tab)	\$ 590,509

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
FINANCIAL DATA SCHEDULE
FOR THE Year ENDED DECEMBER 31, 2012**

**FOR ALL NON-FEDERAL PROGRAMS LISTED, PLEASE LEAVE THOSE COLUMNS
IF YOU DO NOT RECEIVE AN A-133 AUDIT, DO NOT COMPLETE THIS TAB.**

Federal Award Details		
Element	Description	Details
G4100-030	Amount Expended	590,509
G4200-010	Major Federal Program Indicator	YES
G4200-050	Type of Opinion on Major Federal Program	UNQUALIFIED
G4200-060	Number of A-133 Compliance Audit Findings	0
G4200-100	Significant Deficiency Indicator	NO
G4200-200	Number of Significant Deficiencies	0
G4200-110	Material Weakness Indicator	NO
G4200-210	Number of Material Weaknesses	0
G4200-120	Material Noncompliance Indicator	NO
G4200-220	Number of Material Noncompliance	0
G4200-070	Audit Finding Reference Number	
G4200-090	Are Awards Received Directly from a Federal Agency?	YES
G4100-050	Total Amount of Questioned Costs	0

Supplemental Information		
Element	Description	Value
G3100-040	SAS 29 "in relation to" opinion on the Financial Data Schedule	FAIRLY STATED
G3100-050	Is MD&A omitted ?	NO
G3100-060	Is other supplemental information omitted?	NO

See Independent Auditor's Report

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements/Expenditures</u>
Primary Government:		
U.S. DEPARTMENT OF THE HOUSING AND URBAN DEVELOPMENT:		
Direct Funding:		
Public and Indian Housing Program:		
Operating Subsidy	14.850	\$ 143,541
Public Housing Capital Fund:		
Grant - SDO6PO19501-09		\$ 38,054
Grant - SDO6PO19501-10		<u>47,192</u>
Total Public Housing Capital Fund	14.872	85,246
Pass through South Dakota Housing Development Authority:		
Lower Income Housing Assistance Program -		
Section 8 New Construction/Substantial Rehabilitation	14.182	<u>299,432</u>
Total Federal Funding - Primary Government		528,219
Component Unit:		
U.S. DEPARTMENT OF THE HOUSING AND URBAN DEVELOPMENT:		
Pass through South Dakota Housing Development Authority:		
Lower Income Housing Assistance Program -		
Section 8 New Construction/Substantial Rehabilitation	14.182	<u>62,290</u>
Total Federal Funding		<u>\$ 590,509</u>

Note 1: This accompanying schedule of expenditures of federal awards includes the federal grant activity of the Commission and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.



certified public accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Hot Springs, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component units and each major fund of The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Housing Commission's basic financial statements and have issued our report thereon dated September 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Commission's internal control.

Madison Office

112 South Eagan Avenue
PO Box 505
Madison, SD 57042
605-256-9165
Fax: 605-256-2872

Yankton Office

207 Douglas Ave
PO Box 1018
Yankton, SD 57078
605-665-4401
Fax: 605-665-0592

Sioux Falls Office

507 West 10th Street
PO Box 876
Sioux Falls, SD 57101
605-336-0372
Fax: 605-336-6842

Toll Free: 1-800-456-0889

e-mail: wrc@wrccpa.com

Member of: Private Companies Practice Section American Institute of CPA's, South Dakota Society of CPA's

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Findings 2012-1 and 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Housing Commission's Response to Findings

The Housing and Redevelopment Commission of Hot Springs, South Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
September 26, 2013

*Wohlenberg
Ritzman & Co., LLC*

certified public accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Hot Springs, South Dakota

Report on Compliance for Each Major Federal Program

We have audited The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Commission's major federal programs for the year ended December 31, 2012. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Madison Office
112 South Eagan Avenue
PO Box 505
Madison, SD 57042
605-256-9165
Fax: 605-256-2872

Yankton Office
207 Douglas Ave
PO Box 1018
Yankton, SD 57078
605-665-4401
Fax: 605-665-0592

Sioux Falls Office
507 West 10th Street
PO Box 876
Sioux Falls, SD 57101
605-336-0372
Fax: 605-336-6842

Toll Free: 1-800-456-0889

e-mail: wrc@wrcpa.com

Member of: Private Companies Practice Section American Institute of CPA's, South Dakota Society of CPA's

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Commission, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Certified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Wohlenberg Ribyman + Co., LLC

Yankton, South Dakota
September 26, 2013

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

PRIOR AUDIT FINDINGS

Finding 2010-1 has been repeated as Finding 2012-1.

Finding 2010-2 has been repeated as Finding 2012-2.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses _____ yes X none reported

Type of auditor's report issued on compliance for major programs Unqualified

Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 _____ yes X no

Identification of major programs:

CFDA Numbers
14.182

Name of Federal Program or Cluster
Lower Income Housing Assistance Program -
Section 8 New Construction/Substantial
Rehabilitation

Dollar Threshold used to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
FOR THE YEAR ENDED DECEMBER 31, 2012**

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2012-1 - Segregation of Duties (Repeat Finding)

Significant Deficiency

Condition:

Our study and evaluation of internal control structure policies and procedures disclosed that there is a weakness in controls in effect at The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (Housing Commission) relating to a lack of segregation of duties.

Questioned Costs: None.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Effect:

At times there is an inadequate segregation of duties for these accounting functions. Although the staff attempts to divide the various tasks so that one person does not control a transaction from beginning to end, that is not always possible.

Recommendation:

Management and the Board of Commissioners should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. The most effective controls lie in the Management's knowledge of the matters relating to the Housing Commission's operations and their monthly review of expenditures and financial information.

Response/Corrective Action Plan

The Executive Director is the contact person at this entity responsible for the correction action plan for this comment. This comment is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The entity has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Housing Commission is aware of the problem and is attempting to provide compensating controls where and whenever possible and practical. However, this lack of segregation of duties continues to exist.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
FOR THE YEAR ENDED DECEMBER 31, 2012**

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT, continued

Finding 2012-2 - Preparation of Financial Statements (Repeat Finding)

Significant Deficiency

Condition:

We, as auditors, were requested to draft the audited financial statements and related footnote disclosures as part of our audit services. The Housing Commission does not have a documented internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by U.S. generally accepted accounting principles (GAAP) standards.

Questioned Costs: None.

Criteria:

We are now required as auditors to communicate this situation to the Housing Commission as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the Housing Commission's financial statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements.

Effect:

The undocumented preparation of financial statements is not unusual for Housing Commissions of your size.

As in prior years we have instructed management to review a draft of the auditor-prepared financial statements in detail for their accuracy; we have answered any questions they might have and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the Housing Commission's financial statements.

Recommendation:

We recommend that the auditee person responsible for the preparation of financial statements receive appropriate training in order that management can take responsibility for the preparation of its financial statements.

Response/Correction Action Plan

The Housing Commission's management is aware of their overall responsibility for the preparation of the Housing Commission's financial statements and footnotes. As staff gains more education and experience, they will be more involved in the process.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
FOR THE YEAR ENDED DECEMBER 31, 2012**

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

There are no major federal award program findings.